CHAPTER TWENTY THREE

UNEMPLOYMENT AND INSECURITY IN NIGERIA

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Abstract

The study examined the relationship between unemployment and insecurity in Nigeria, covering the period from 1991 to 2022. The study employed a VECM estimator to test and answer the research questions. The study revealed that insecurity has a positive relationship with unemployment in Nigeria in the long and short run. According to the results, the research suggested that the government must employ every feasible approach to reestablish tranquility within the nation, a crucial step in expediting economic growth. Attaining this objective involves generating employment prospects, implementing measures to foster harmonious intergroup and interfaith relations, ensuring fairness and impartiality, nurturing a sense of national pride, and advancing pertinent social, economic, and physical infrastructure; the government should take appropriate measures to tackle the level of insecurity in the country.

Introduction

Unemployment has emerged as a global predicament, wreaking havoc across nations. No nation can lay claim to a zero percent unemployment rate in the present day. Adesina (2013) underscores that unemployment constitutes both social and economic challenges, impacting virtually all nations and individuals, whether directly or indirectly. This phenomenon fosters social unease and finds expression in surges of criminal activities, unrest among the youth, and a precarious socio-economic structure prevalent in certain nations. The global community, especially emerging countries like Nigeria, grapples with formidable job-related hurdles and widespread deficits in decent work opportunities. According to Keynes, unemployment occurs when there is insufficient demand for goods and services in the economy, leading to a fall in production and layoffs of workers. In a statistical context, Nigeria has witnessed a surge in its unemployment rate, ascending from 3.98 percent to 5.76 percent in 2022, with minimal fluctuations observed across the years, as the World Bank (2022) reported.

One of the leading contributors to insecurity in Nigeria is the elevated level of unemployment. The scarcity of job prospects has cultivated a fertile ground for dissatisfaction and disillusionment, especially among the youth. With limited avenues for substantial employment, young individuals might become susceptible to engaging in criminal pursuits, such as affiliating with armed groups or participating in cybercrime. Unemployed individuals are more prone to resorting to desperate measures for survival, culminating in an escalation of criminal behavior and societal unrest.

Insecurity stands as one of the afflictions imperiling the existence of humanity, engendering fear within communities and imposing limitations on mobility. Obi (2015) characterizes insecurity as a persistent peril to human life, regions, religious beliefs, nations, property, and institutions, among other elements.' This signifies that insecurity presents a menace to human existence and impacts their surroundings. This scenario has given rise to numerous instances of insecurity, resulting in loss of life and damage to businesses and property. In Nigeria, insecurity has resulted in incalculable loss of lives and property, impeded economic activities, inhibited domestic and foreign investments, escalated government spending on security, and stymied the sought-after growth and development of the nation (Abubakar, Sule & Tijjani, 2023). Over the years, insecurity has risen from 3.98 percent in 1991 to 8.17 percent in 2022 (Global Perception Index, 2022).

The Nigerian government has undertaken numerous measures to curb the escalating insecurity rate, including leadership changes in security agencies and equipping them with more advanced weaponry. To this end, the National Security Agency (NSA), comprising entities such as the National Intelligence Agency (NIA), National Drug Law Enforcement Agency (NDLEA), Nigeria Police Force (NPF), Defense Intelligence Agency (DIA), Ministry of Internal Affairs (MIA), Nigeria Immigration Service (NIS), and State Security Service (SSS), has been established (Adebakin & Raimi, 2012; Rohde, Tang, Lars & Prasada, 2014).

Furthermore, the government has initiated various policies to combat unemployment, including the National Action Plan on Employment Creation (NAPEC), National Directorate of Employment (NDE), National Employment Policy (NEP), National Skills Development Board (NSDB), Structural Adjustment Programme (SAP), Small and Medium Enterprises Development Agency of Nigeria (SMESAN), Subsidy Reinvestment and Empowerment (SURE-P), N-Power Programme, Homegrown School Feeding Programme, and Youth with Initiative in Nigeria (YOU-Win). Despite these efforts, insecurity and unemployment continue to thrive in Nigeria.

Unemployment and insecurity in Nigeria are intricately interconnected, creating a vicious cycle that amplifies both issues. High levels of unemployment breed desperation, pushing individuals towards criminal activities and making them susceptible to recruitment by extremist groups. In turn, insecurity hampers economic growth, deters investment, and limits employment opportunities. The resulting lack of economic opportunities further fuels frustration and social unrest, perpetuating the cycle of unemployment and insecurity. Breaking the vicious cycle will demand the reversal of one or both of the major players been unemployment and/or insecurity hence the need for this study.

Theoretical and Literature Framework

In this study, two theories are employed: The Keynesian theory of Unemployment and the Relative Deprivation Theory. The Keynesian theory of Unemployment is a cornerstone of modern macroeconomic thought, developed by the British economist John Maynard Keynes in the early twentieth century. This theory revolutionized how economists and policymakers approached the issue of Unemployment and laid the groundwork for developing macroeconomic policies to address economic downturns. Keynes argued that Unemployment is not necessarily a result of the inherent characteristics of the labor market, such as mismatched skills or minimum wage laws, as classical economists believed. Instead, he proposed that Unemployment could arise due to deficiencies in aggregate demand within an economy. In other words, when total spending in an economy falls short of the level required to support full employment, Unemployment can result. Relative deprivation theory is a way of understanding how people may feel unhappy or dissatisfied with their situation in life. It suggests that people compare themselves to others who have more or better things than they do or to some ideal standard they think they should have. People feel deprived and frustrated when they see a gap between what they have and what they want. This feeling can motivate them to try to improve their situation, protest against the system's unfairness, or blame others for their problems. By implication, Unemployment often entails a lack of meaningful activity, financial strain, and feelings of rejection or failure. Individuals who cannot secure employment despite their efforts can experience frustration due to the unmet goal of finding a job and achieving financial stability. This dynamic explains why individuals participate in social movements, rebel against authority, or engage in violence.

Empirical Review

Using OLS estimation technique, Magajil, Musa, and Salisu (2022) investigated how youth unemployment in Nigeria is influenced by insecurity from 1996 to 2019. They discovered that insecurity positively affects youth unemployment in Nigeria. They also revealed that the Domestic Private Investment and Corruption Perception index negatively affects youth unemployment in Nigeria, while Government capital expenditure positively affects it.

Ellah and Nwachukwu (2022) examine unemployment and insecurity in Nigeria using unemployed youths in Port Harcourt and Obio/Akpor LGAs. The researchers collected data using a self-developed instrument called "Unemployment and Insecurity in Nigeria (UIN)." The tools were provided to 400 individuals without employment in the research region. The research findings indicated that joblessness is the primary contributor to insecurity in Rivers State.

Adenike (2021) conducted a study to investigate the interconnected dynamics of unemployment, poverty, and insecurity in Nigeria from 1990 to 2017. The study employed the Granger causality test and the variance decomposition technique to analyze the data. The results suggest that a rise in poverty coincides with increasing unemployment rates and heightened government security spending. Likewise, higher unemployment rates are associated with more individuals slipping below

the poverty threshold. Additionally, as government security spending increases, poverty tends to rise. Insecurity had the most significant effect on poverty and unemployment, with security-related disturbances exerting a substantial and positive influence on these factors.

By employing the distinction between skilled and unskilled labor as a key factor influencing job creation, Akogwu (2020) assessed the impact of job creation on security challenges in Abuja. The research involved the distribution of questionnaires to 246 employees at the National Directorate of Employment (NDE) Headquarters in Abuja. Multiple regression was used for data analysis. The study result showed that both the creation of skilled and unskilled jobs had a positive and significant influence on security in Abuja.

The link between joblessness and insecurity in Rivers State was explored by Ejo-Orusa (2020). The data source was a questionnaire given to 400 participants, based on the Taro Yamane method for calculating sample size. The Spearman rank order correlation coefficient statistics were utilized for hypothesis testing. The results showed that joblessness and insecurity (such as militancy/political violence, armed robbery, kidnapping, and cultism) were significantly related in Rivers State. Moreover, the research demonstrated a substantial connection between joblessness and cultism in Rivers State.

Obona & Nweke (2018) focused on addressing Insecurity in Nigeria through Youth Employment and Skills Development: A Case Study of Ebonyi State. A structured questionnaire was administered to 400 participants who were purposively chosen from the study area. A five-point Likert-type scale was used to measure and collect data. Chi-square was used to test hypotheses. The findings indicated that the main causes of insecurity in Nigeria are youth unemployment and the lack of skills training and character of the Nigerian state.

Methodology

In this research, econometric methods are employed within a dynamic framework to ascertain the connection between unemployment and insecurity in Nigeria. The analytical tools utilized to measure this relationship encompass co-integration and Vector Error Correction Mechanism (VECM).

Theoretical Model and Model Specification

The research model is constructed upon the foundation of the Keynesian theory of unemployment which stated that unemployment is cause by the deficiencies in aggregate demand. Similarly, Magajil, Musa, and Salisu (2022) in their study on the link between unemployment and youth insecurity in Nigeria added insecurity was another factor affecting the level of unemployment in the country. Thus, the model for this study is repossessed in a definitional form as:

$$UNE = (NTI, DI, GCEXP, INF)$$

Where; UNE = Unemployment; NTI = Nigeria Terrorism Index proxy for insecurity; DI = Domestic Investment proxy by Gross Fixed Capital Formation (GFCF); GCEXP = Government Capital Expenditure and INF = Inflation. And stochastically equation 3.1 is express as:

1

$$UNE = \beta_0 + \beta_1 NTI + \beta_2 DI + \beta_3 GCEXP + \beta_4 INF + \mu_t$$
 2

However, some of the variables have been transformed into logarithm to achieve the growth purpose of the model so that the responsiveness of the dependent variable to changes in the explanatory variables will be examined. Thus, equation 3.2 becomes:

$$UNE = \beta_0 + \beta_1 NTI + \beta_2 \ln DI + \beta_3 \ln GCEXP + \beta_4 INF + \mu_t \qquad 3$$

The VECM model is stated in equation 3.4 - 3.8:

$$\sum_{p} \Delta UNE_{t} = \beta_{0} + \sum_{t=1}^{p} \beta_{1i} \Delta UNE_{t-1} + \sum_{t=1}^{p} \beta_{2i} \Delta NTI_{t-1} + \sum_{t=1}^{p} \beta_{3i} \Delta \ln DI_{t-1} +$$

$$4$$

$$\sum_{t=1}^{p} \beta_{4i} \Delta \ln GCEXP_{t-1} + \sum_{t=1}^{p} \beta_{5i} \Delta INF_{t-1} + \Omega_{1}ECM_{t-1} + \mu_{1t}$$

$$\sum \Delta NTI_{t} = \alpha_{0} + \sum_{t=1}^{p} \alpha_{1i} \Delta UNE_{t-1} + \sum_{t=1}^{p} \alpha_{2i} \Delta NTI_{t-1} + \sum_{t=1}^{p} \alpha_{3i} \Delta \ln DI_{t-1} + \sum_{t=1}^{p} \alpha_{4i} \Delta \ln GCEXP_{t-1} + \sum_{t=1}^{p} \alpha_{5i} \Delta INF_{t-1} + \Omega_{1}ECM_{t-1} + \mu_{2t}$$
5

$$\sum \Delta \ln DI_{t} = \gamma_{0} + \sum_{t=1}^{p} \gamma_{1t} \Delta UNE_{t-1} + \sum_{t=1}^{p} \gamma_{2t} \Delta NTI_{t-1} + \sum_{t=1}^{p} \gamma_{3t} \Delta \ln DI_{t-1} +$$
6

$$\sum_{t=1}^{p} \gamma_{4i} \Delta \ln GCEXP_{t-1} + \sum_{t=1}^{p} \gamma_{5i} \Delta INF_{t-1} + \Omega_{1}ECM_{t-1} + \mu_{3t}$$

$$\sum_{p} \Delta \ln GCEXP_{t} = \eta_{0} + \sum_{t=1}^{p} \eta_{1i} \Delta UNE_{t-1} + \sum_{t=1}^{p} \eta_{2i} \Delta NTI_{t-1} + \sum_{t=1}^{p} \eta_{3i} \Delta \ln DI_{t-1} + \gamma_{0} + \gamma_$$

$$\sum_{t=1}^{p} \eta_{4i} \Delta \ln GCEXP_{t-1} + \sum_{t=1}^{p} \eta_{5i} \Delta INF_{t-1} + \Omega_1 ECM_{t-1} + \mu_{4t}$$

$$\sum \Delta INF_t = \pi_0 + \sum_{t=1}^{p} \pi_{1i} \Delta UNE_{t-1} + \sum_{t=1}^{p} \pi_{2i} \Delta NTI_{t-1} + \sum_{t=1}^{p} \pi_{3i} \Delta \ln DI_{t-1} + \sum_{t=1}^{p} \pi_{4i} \Delta \ln GCEXP_{t-1} + \sum_{t=1}^{p} \pi_{5i} \Delta INF_{t-1} + \Omega_1 ECM_{t-1} + \mu_{4t}$$
8

Results and Discussions Unit Root

To check for unit roots, we applied the Augmented Dickey-Fuller (ADF) test to all the time series in our model. The ADF test results showed that the variables became stationary after taking the first difference, (that is I(1)) signifying that none of the variables had a unit root problem after first difference. This result also supports the use of co-integration and VECM methods.

Variables	At Level	First Difference	1% critical Level	5% critical Level	Order of integration
UNE	1.333319 (0.9982)	-3.503988 (0.0149)	-3.661661	- 2.960411	I(1)
NTI	-1.873147 (0.3400)	-5.472150 (0.0001)	-3.661661	- 2.960411	I(1)
lnDI	-0.809865 (0.8013)	-10.11687 (0.0000)	-3.661661	- 2.960411	I(1)
InGCEXP	-2.160061 (0.2241)	-6.664674 (0.0000)	-3.661661	- 2.960411	I(1)
INF	-2.079310 (0.2538)	-5.438287 (0.0001)	-3.661661	- 2.960411	I(1)

Table 1 ADF Unit Root Test Result

Source: Eviews10 Output

Optimal Lag Selection Results

According to the results presented in Table 2, the VAR lag selection criteria indicate that lag one (1) has the least LR: sequential modified LR test statistic (at 5% level), FPE: Final Prediction Error, AIC: Akaike Information Criterion, SC: Schwarz Information Criterion, and HQ: Hannan-Quinn information criterion relative to the other lags. This suggests that lag one (1) is the optimal choice for the model's performance.

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-142.6317	NA	0.012944	9.842111	10.07564	9.916820
1	-32.61799	176.0219*	4.60e-05*	4.174532*	5.575730*	4.622788*
2	-10.81601	27.61584	6.62e-05	4.387734	6.956596	5.209535

Table 2 VAR Lag Order Selection Criteria

Source: Eviews10 Output

Long-run Relationship

The Johansen co-integration test was performed to ascertain the quantity of stable long-term connections among the variables encompassed in the study. This test provides two techniques, namely, the Trace statistic and Maximum Eigen statistic test, for identifying the count of co-integrating relationships. The results indicate one (1) cointegrating equation at a 5% level of significance. This signifies the existence of long-term relationships among the variables as evidenced in both Trace and Maximum Eigen statistics. Specifically, there is a long-term relationship between unemployment and insecurity in Nigeria. The results of both tests are displayed in Table 3.

 Table 3: Result of Unrestricted Co-Integration Rank Test (Trace

 Value and Maximum Eigen Value)

Null	Hypothesize	Eigen	Trace	0.05	Prob.*	Max-	0.05	Prob.*
hypothesi	d No. of	value	statistic	Critical	*	Eigen	Critical	*
s	CE(s)			Value		statistic	Value	
r=0	None *	0.799093	92.11119	69.81889	0.0003	48.14732	33.87687	0.0005
r≤l	At most 1	0.493269	43.96387	47.85613	0.1107	20.39323	27.58434	0.3146
r≤2	At most 2	0.350694	23.57064	29.79707	0.2192	12.95556	21.13162	0.4563
r≤3	At most 3	0.255180	10.61508	15.49471	0.2363	8.838383	14.26460	0.2999
r≤4	At most 4	0.057504	1.776701	3.841466	0.1826	1.776701	3.841466	0.1826

Source: Eviews10 Output

To ascertain the characteristics of the long-term relationship, we utilize the normalized Johansen co-integration equation, which is derived from the log likelihood with the lowest value. It is expressed as:

UNE = 2.411371NTI - 12.6422lnDI - 0.2325lnGCEXP - 0.0038INF(0.36462) (1.16430) (0.14639) (0.00702)

The normalized Johansen co-integration found that insecurity exerts a positive influence on unemployment. This implies that a 1% increase in insecurity will lead to a corresponding increase in unemployment. However, domestic investment, government capital expenditure and inflation exert a negative relationship with unemployment. This implies that a 1% increase in domestic investment, government capital expenditure and inflation will decrease unemployment.

4.4 Short-run Relationship

As an established long-run equilibrium connection exists among the variables, the analysis employed a vector error correction model to assess both the short-run dynamics and speed of adjustment. The coefficients of the explanatory variables in this model evaluates the short-run relationship. Consequently, the specification at the first order of the VAR model was chosen, and the findings are succinctly displayed in Table 4.

Table 4: Results	of Short-run	Relationship	between	Unemployment
and Insecurity				

Variable	coefficient	Std. Error	t-statistics	Prob
NTI	0.039066	0.206605	2.057694	0.0423
lnDI	-0.233876	0.434836	-0.537849	0.5917
InGCEXP	-0.110555	0.104635	-1.056577	0.2929
INF	-1.44E-05	0.002688	-0.005369	0.9957
CointEq1	-0.098971	0.048640	-2.034765	0.0442

Source: Eviews10 Output

In the short run, insecurity exerts a positive and statistically significant relationship with unemployment in Nigeria. By implication, the presence

of insecurity undermines the foundations of a stable and thriving economy. It erodes economic growth, discourages investment, declining consumer spending, and disrupted industries can lead to unemployment. As job opportunities diminish, individuals may struggle to find work, which in turn can have far-reaching social and economic consequences. This finding corroborated the findings of Magajil, Musa and Salisu (2022), Yusuf and Mohd (2022), Ellah and Nwachukwu (2022), Ejo-Orusa (2020).

Furthermore, the coefficient of domestic investment, government capital expenditure and inflation are negative and statistically not significant. This implies that domestic investment, government capital expenditure and inflation affect unemployment in the long run.

The obtained coefficient of error correction is negative and statistically significant at a 5% level of significance. This implies that any deviation from the equilibrium state may lead to a convergence towards long-run equilibrium at an annual rate of 0.098%. These findings reveal that the adjustment speed towards long-run unemployment equilibrium in Nigeria, even during initial disequilibrium, occurs gradually at the rate of 0.098%.

Residual test was performed to assess the reliability and potential for robust statistical conclusions of the estimates. The LM tests for serial correlation in the residuals of the Vector Error Correction Model (VECM) indicated no correlation at lag order 1. The study's model was found to be dynamically stable, as confirmed by the inverse roots of the Autoregressive (AR) characteristic polynomial. This substantiates the dependability of the results and their suitability for valid statistical inferences. The model's overall significance was strong, affirming that the results and estimates hold validity for statistical inference and are not erroneous.

Conclusion and Recommendations

In light of the research results, the study concluded insecurity exerts a positive relationship with unemployment in Nigeria both in the long run and short run. This suggests that insecurity weakens the pillars of a robust and flourishing economy. This erosion of economic growth and discouragement of investment, coupled with decreased consumer

spending and disrupted industries, can culminate in unemployment. According to the study results, the study recommended that:

The government must employ every feasible approach to reestablish tranquility within the nation, a crucial step in expediting economic growth. Attaining this objective involves generating employment prospects, implementing measures to foster harmonious intergroup and interfaith relations, ensuring fairness and impartiality, nurturing a sense of national pride, and advancing pertinent social, economic, and physical infrastructure. A Nigeria characterized by peace, free from terrorism and insecurity, will inevitably clear the path for purposeful and methodical economic development.

The government should implement effective strategies to address the country's insecurity. This involves bolstering security measures by ensuring security forces are well-equipped with modern weaponry. Additionally, adopting Community Policing within local police divisions can enhance the management of insecurity

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